

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

R.H. Donnelley)	
)	Docket No. 07-_____
Petition for Variance of Section 735.180)	
of the Illinois Administrative Code)	

Direct Testimony of

DAVID KELLY

Director of Marketing
On behalf of R.H. Donnelley

August 8, 2007

1 **Q. Please state your full name and business address.**

2 A. David Kelly, R.H. Donnelley, 200 East Randolph Drive, Chicago, Illinois 60601.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by R.H. Donnelley as Director of Marketing.

5 **Q. What is R.H. Donnelley's role in providing directories to AT&T Illinois' customers?**

6 A. On September 1, 2004, RHD purchased the interest of Illinois Bell Telephone Company
7 ("AT&T Illinois") in an RHD-AT&T Illinois partnership that published AT&T Illinois'
8 Yellow Pages and White Pages directories in Illinois and Northwest Indiana. On the
9 same date, RHD entered into a 50-year directory services license agreement with AT&T
10 Illinois to publish AT&T Illinois' Yellow Pages and White Pages directories in Illinois.
11 The agreement characterizes RHD as the agent of AT&T Illinois for the purpose of
12 publishing White Pages directories. As a result of the agreement, RHD handles all
13 aspects of publishing these AT&T-branded directories, including sales, marketing,
14 printing, and delivery. Furthermore, RHD is contractually obligated to comply with all of
15 AT&T Illinois' legal obligations related to directories, including the applicable
16 regulations of the Illinois Commerce Commission ("Commission"). In effect, RHD
17 discharges AT&T Illinois' legal obligations to provide directories in Illinois, and only
18 RHD can publish an AT&T-branded telephone directory in this area.

19 **Q. Please briefly summarize your business experience.**

20 A. I have been employed by RH Donnelley or a predecessor publisher in the Telephone
21 Directory industry since 1993. I began my career with RHD as a sales representative and
22 moved into Marketing in 1997. My responsibilities as Director of Marketing include

23 making product decisions for print yellow pages, white pages and internet search tools,
24 pricing plan development, research analysis, promotion coordination and managing a
25 team of 6 marketing managers in local sales offices in Illinois. Prior to joining RHD, I
26 was a sales representative for three years. I earned my MBA in Marketing from Loyola
27 University of Chicago in 2000.

28 **Q. Please describe your current responsibilities with respect to Chicago Residential**
29 **White Page Directories.**

30 A. My responsibilities include making product decisions that fit the needs of consumers in
31 markets in Illinois. Part of product management includes monitoring and adjusting
32 products to ensure relevancy in our markets. In addition, my responsibilities include the
33 assessment of how our product lines compliment, overlap or interfere with one another
34 both on the print and digital fronts.

35 **Q. What is the purpose of your testimony?**

36 A. The purpose of my testimony is to describe R.H. Donnelley's White Pages distribution
37 proposal and explain why a variance of the Commission's rules is appropriate.

38 **Q. Please describe the directories that are currently provided to AT&T Illinois**
39 **residential customers in the City of Chicago?**

40 A. RHD prints and distributes multiple directories in the City of Chicago, including the
41 Chicago Yellow Pages (Consumer), Chicago Plus, Chicago Residential White Pages,
42 Chicago Neighborhood directories and Chicago Business-to-Business. Chicago Yellow
43 Pages (Consumer) contains Business White Pages & Yellow Pages for the City of
44 Chicago; Chicago Plus contains Yellow Pages for the city of Chicago in a smaller, more

convenient configuration; Chicago Residential White Pages contains Business and Residential White Pages Listings for the city of Chicago; 13 Chicago Neighborhood directories contain Business and Residential White Pages & Yellow Pages for 13 local portions of the city of Chicago; and the Chicago Business-to-Business directory contains Industrial/Commercial Yellow Pages for the Chicago metro area including city and suburbs. RHD distributes nearly 1.5 million Chicago Yellow Pages (Consumer); 1.1 million Chicago Plus directories; 1.1 million Chicago Residential White Pages; 1.5 million Neighborhood directories and 160,000 Business-to-Business directories.

Q. Do Chicago residential customers currently receive both a Chicago Residential White Pages directory and a Chicago Neighborhood directory?

A. Yes.

Q. Please compare the directory listing coverage areas of the Chicago Residential White Pages directory and the Chicago Neighborhood directories.

A. The Chicago Residential White Pages provides white pages listing for the entire city of Chicago. Each of the 13 Chicago Neighborhood directories separately provides white pages for the distinct area each covers. Combined, the 13 Chicago Neighborhood directories provides white pages cover the same geographically area as the Chicago Residential White Pages. A map of the city of Chicago and the 13 Chicago Neighborhood directory areas contained within the city of Chicago is attached as RHD Ex. 1.1.

Q. Are the two types of books distributed only to people who receive local telephone service from AT&T Illinois?

67 A. No. In fact the books are delivered to all Chicago residences without regard to what
68 service provider the residence chooses.

69 **Q. Describe the change that RHD proposes to make to the distribution of directories to**
70 **Chicago residential customers.**

71 A. RHD proposes to continue to deliver to Chicago residential customers a copy of their
72 local Neighborhood directory, as well as Yellow Pages directories. The Company will
73 distribute the city-wide Chicago Residential White Pages upon request from customers.

74 **Q. If the Commission approves the Company's variance request, will the Chicago**
75 **Residential White Pages directory be discontinued?**

76 A. No. The Chicago Residential White Pages directory will continue to be available upon
77 request and at no additional charge. Also customers have the option of establishing a
78 "standing order," whereby the book will be delivered in subsequent years without the
79 need for additional requests.

80 **Q. How has RHD concluded its proposed change is appropriate?**

81 A. RHD employed the services of The Praxi Group to conduct a survey to determine
82 whether a reduction in the duplication of certain directories would negatively impact
83 Chicago customers and identify directory alternatives available to customers. RHD has
84 relied on The Praxi Group's findings and believes based on those findings a change in
85 distribution is appropriate.

86 **Q. Who is the Praxi Group?**

87 A. The Praxi Group is a consulting entity that offers research assistance for national vendors,
88 advertising agencies and Fortune 500 firms. The Praxi Group designs and manages

research projects across a diverse set of methodologies, including complex quantitative techniques and also personally moderates more than 500 focus groups. The Praxi Group provides support to industries such as healthcare, restaurants, consumer package goods, retail services, outdoor recreation, financial services and telecommunications.

Q. What did The Praxi Group find?

A. The Praxi Group found that, assuming the variance RHD requests is granted, over three quarters of customers surveyed feel their needs would be met more effectively or would be met just as effectively. Furthermore, as I stated above, the Chicago Residential White Pages directory will continue to be available upon request and at no additional charge.

Q. Does RHD's delivery proposal relative to the Chicago Residential White Pages directory require a variance from the Illinois Administrative Code?

A. RHD's proposal does require a variance if one considers the entire City of Chicago as just one exchange. Section 735.180 of the Illinois Administrative Code addresses directory issues. In particular, subsection 735.180(a)(1) states, in relevant part:

Primary telephone directories of all exchanges shall be revised, printed and distributed to customers at least once a year. Each directory shall list the name, address and telephone number of all customers, except public telephones.

In addition, subsection 735.180(d) states:

Upon issuance, one copy of each directory shall be distributed to each customer served by that directory and two copies of each directory shall be furnished to the Commission.

Based on these provisions RHD believes a variance is necessary to provide only the appropriate Neighborhood directories to customers in the City of Chicago rather than the

city-wide Chicago Residential White Pages in addition to the Neighborhood directories.

Again, RHD will continue to make the city-wide Chicago Residential White Pages directory available to each and every customer that requests it, subject only to the limitations currently contained within Part 735.

Q. Does the Company have any other requests that should be noted in this proceeding?

A. Yes. The Company requests resolution of this petition by December 1, 2007. The next version of the Chicago Residential White Pages will be distributed in April 2008. The Company needs to make decisions by mid-December 2007 about how many copies of the directory should be printed and how the directory should be distributed. If there is no decision on the variance request by that time, the Company will need to assume that it must continue distribution of the city-wide directory to all City of Chicago residents next year.

Q. Why is the Company requesting this variance?

A. Distribution of both the city-wide Chicago Residential White Pages and Neighborhood directories is for the most part, a duplication of relevant information. The Praxi Group found that many customers prefer the Neighborhood books over the city-wide White Pages due to their ease of use, compact size and convenience. Customers identified the city-wide Chicago Residential White Pages lack of utility, waste of paper and preferences for other search tools as reasons why they support RHD's proposal.

Q. Have searching techniques changed?

A. Yes. Less than half of customers use a commercially published directory to search for residential numbers. Instead customers now rely on online directories, personal

directories (such as those provided by schools, churches and condominium associations), stored numbers within their phone, or directory assistance to obtain telephone numbers.

Q. What effect will the proposed delivery changes have on Chicago customers?

A. As discussed above, the Praxi Group's research found that 77% of residences are not impacted by the proposal or find that eliminating the mandatory delivery of the city-wide Chicago Residential White Pages acceptable.

Q. In addition to the changes in customer directory search behavior, are there other reasons supporting the variance request?

A. Yes. RHD's proposal could result in up to 2.6 million pounds of saved paper. Or looking at it another way, the proposal could reduce land fill space needed to accommodate up to 2.6 million pounds of paper each year. RHD's proposal is wholly consistent with the City of Chicago's "green" goals. In its 2006 Environmental Action Agenda: Infrastructure and Resource Management report the City of Chicago has identified several initiatives to address waste and recycling. One initiative is to develop a "Zero Waste Plan" aimed at drastically reducing public and private waste disposal in landfills. A reduction of up to 1,100,000 directories or up to 2.6 million pounds in paper certainly is consistent with the City of Chicago's environmental agenda.

Q. Does Part 735 of the Illinois Administrative Code contain other provisions affecting the content or format of telephone directories?

A. Yes. Sections 735.180(e), (f), and (g) specify information about emergency services, complaint procedures, etc., that must appear in directories. Similarly, Sections 757.110(b) and 757.410(a)(2) mandate, for inclusion in directories, information on

157 telephone assistance programs. And Section 732.50 prescribes information about
158 customer credits. RHD provides these various types of information in the front pages of
159 its directories.

160 **Q. For the purpose of making changes to the delivery of the Chicago Residential White**
161 **Pages directory, is RHD seeking variances of these other sections of the Illinois**
162 **Administrative Code?**

163 A. No. The information mandated by those provisions currently appears in both the Chicago
164 Residential White Pages directory and the Neighborhood directories, and it will continue
165 to appear in those directories.

166 **Q. If the Commission approves the Company's variance request, will the content of the**
167 **front pages of either directory change?**

168 A. No. All Chicago Neighborhood directories and the Chicago Residential White Pages
169 directory will continue to provide the same information as required by the Illinois
170 Administrative Code that is provided today. However, RHD will add a notice in the front
171 pages of the Neighborhood books about the availability of the city-wide Chicago
172 Residential White Pages.

173 **Q. The Chicago Residential White Pages and the Neighborhood directories also contain**
174 **governmental listings for the entire Chicago exchange. If the Commission approves**
175 **the Company's variance request, will that change?**

176 A. No. Governmental listings for the entire Chicago exchange will continue to be available
177 in all Neighborhood Directories and the Chicago Residential White Pages.

178 **Q. May customers also request copies of other Neighborhood Directories in addition to**
179 **their local Neighborhood Directory?**

180 A. Yes. Pursuant to 83 Ill. Adm. Code 735.180 (l), customers may request up to five
181 additional directories at no additional charge.

182 **Q. In addition to the five free directories, are there other RHD directory resources**
183 **available to Chicago customers?**

184 A. Yes. RHD will deliver, upon request and at no charge to consumers, a CD ROM with the
185 city-wide White Pages, or consumers can access yellowpages.com on-line for residential
186 white pages listings.

187 **Q. How does the Company plan to notify customers about the Chicago Residential**
188 **White Pages distribution changes?**

189 A. Customers will receive notification of the change through both the Chicago Yellow Pages
190 (Consumer) and Chicago Neighborhood directories. When the Chicago Yellow Pages
191 (Consumer) is distributed the delivery bag will contain an insert alerting customers to the
192 availability of multiple search tools. Specifically the insert will state: "Looking for
193 residential phone numbers? Go online to DexKnows.com, yellowpages.com or find local
194 information in your Chicago Neighborhood directory. For additional Chicago White
195 Pages, call 800-487-6733 to request city-wide white pages, up to five complimentary
196 AT&T Real Yellow Pages directories or a CD-ROM, published by Dex." Within the
197 Chicago Yellow Pages (Consumer) the same notification will be provided. Additionally,
198 in the header text in the business white pages includes the following; "Find residential
199 listings at Dexknows.com, yellowpages.com or in your Chicago Neighborhood

200 directory.” See attached RHD Ex. 1.2 for the Company’s proposed inserts and attached
201 RHD Ex. 1.3 for the Company’s sample “filler” page advertisements.

202 **Q. What customer notification will take place when the Neighborhood directories are**
203 **delivered?**

204 A. When the Neighborhood directories are distributed in August 2008, filler ads will explain
205 the availability of multiple search tools. Specifically the filler will state: “Looking for
206 residential phone numbers? Check out the White Pages in the back of the directory or go
207 online to DexKnows.com, yellowpages.com. For additional Chicago White Pages, call
208 800-487-6733 to request city-wide white pages, up to five complimentary AT&T Real
209 Yellow Pages directories or a CD-ROM, published by Dex.” See attached RHD Ex. 1.3
210 for the Company’s sample “filler” page advertisements.

211 **Q. Please address the criteria the Commission needs to consider in determining**
212 **whether to grant a variance of the provisions found in Part 735 of the Illinois**
213 **Administrative Code.**

214 A. Section 735.50 requires that the Commission, before granting a variance, consider
215 1) whether the rule from which a variance is requested is mandated by statute, 2) whether
216 anyone would be harmed by granting the variance, and 3) whether the rule from which
217 the variance is requested is unduly burdensome.

218 **Q. Does the variance request involve a provision of the Illinois Administrative Code**
219 **that is mandated by statute?**

220 A. While I am not a lawyer, I do not believe a statutory mandate exists that would prohibit
221 the relief RHD seeks.

222 **Q. Please address the issue of whether anyone would be harmed by the variance.**

223 A. Customers would not be harmed by the variance requested here. A vast a majority of
224 customers surveyed do not use the city-wide Chicago Residential White Pages. Further,
225 all customers will continue to receive the Neighborhood directory for their local area.
226 Presently, customers have numerous options such as alternative directories and the
227 Internet. Additionally, RHD's proposal allows those customers who want to continue to
228 receive the Chicago Residential White Pages directory (the city-wide directory) to
229 continue to receive it free with just one toll-free call. Lastly, while not related to
230 telecommunications, reducing the production of unwanted directories and reducing the
231 corresponding waste will benefit the environment.

232 **Q. Please discuss why Section 735.180 is unreasonably burdensome.**

233 A. The Illinois Administrative Code is unreasonably burdensome in this instance because it
234 reflects an outdated view of customers' need for, and use of, directories. Given the
235 increased availability and use of the internet and PDA devices, many customers look
236 there for listing information, rather than reaching for a thick telephone book. At the same
237 time, the availability of Neighborhood books provides customers with listings that are
238 most pertinent to their everyday needs. The Praxi Group confirmed that a vast majority
239 of people rely on alternative information vehicles to obtain local residential information,
240 including the use of special-interest directories such as those provided by schools,
241 churches and condo associations. To the extent that the Illinois Administrative Code
242 requires the continued publication of the city-wide Chicago Residential White Pages—
243 when many customers do not want the directory or do not use it—those provisions are
244 unduly burdensome.

245 **Q.** **Does this conclude your testimony?**

246 **A.** Yes.